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"Reviewing the State Department's Annual Report on Terrorism"

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Chairman Royce, Congressman Sherman, Distinguished Members of the Subcommittee, thank you for the opportunity to testify today on the annual Congressionally-mandated *Country Reports on Terrorism 2005*. In my testimony, I will address four areas: key additions to the 2005 report; trends witnessed in 2005; country-specific and multilateral efforts; and current initiatives to counter terrorists' efforts. I will summarize my formal written statement and ask that you include my full testimony in the record.

A top priority for my office has been to deliver a report that informs, stimulates constructive debate, and enhances our collective, dynamic understanding of the global terrorist threat. In addition, the report should serve as a reference tool to inform policy makers, the American public, and our international partners about our efforts, progress, and challenges in the global war on terror. It is my opinion that we produced a report that accomplishes these objectives.

Additions to the Report

In working to do so, we opted to add additional chapters to the 2005 report, including "Strategic Assessment" and "Terrorist Safe Havens," as well as an expanded "Building International Will and Capacity" chapter. The "Strategic Assessment" chapter illustrates trends and addresses the question of whether we are winning against al-Qaida and its affiliates. President Bush and Secretary Rice

believe we should tackle the question directly and provide the best assessment possible. A broader assessment is important because this is not the kind of war where you can measure success with conventional metrics or aspire for a single, decisive battle that will break the enemy's will or hope for a signed peace accord to mark our victory.

Some of the key points included in this chapter, coupled with the trends in the 2005 report shed light on the evolution of the global terrorist movement. We conclude that our collective international efforts have harmed al-Qaida. Its core leadership no longer has effective global command and control of its networks. The few enemy leaders that have avoided death or capture find themselves isolated and on the run. Thus, al-Qaida increasingly emphasizes its ideological and propaganda activity to help its cause. By remaining at large, and intermittently vocal, bin Ladin and Zawahiri seek to symbolize resistance to the international community, retain the capability to influence events, and through the use of the media and internet, serve to inspire actual and potential terrorists.

Nonetheless, there is evidence that core leaders including bin Ladin and Zawahiri are frustrated by their lack of direct control, as demonstrated by the October 2005 Zawahiri-Zarqawi correspondence. With its Afghan safe haven gone, with Pakistan reducing its safe haven along the border, and with global international cooperation constraining terrorist mobility, al-Qaida and its affiliates are desperate to claim Iraq as their own. This is why Zarqawi fears a viable Iraqi nation and foments terrorist attacks and sectarian violence. This is why we and our allies, along with the emerging Iraqi government, must deny Iraq to al-Qaida. We must retain unrelenting pressure against al-Qaida.

The second chapter, "Terrorist Safe Havens," is an important new addition in that, like enemy leadership, enemy safe havens have great strategic importance. The National Strategy for Combating Terrorism, the 2004 Congressional Intelligence Reform Act, and United Nations Security Council Resolution 1373 all emphasize this point. Safe havens allow the enemy to recruit, organize, plan, train, coalesce, heal, rest, and claim turf as a symbol of legitimacy. This is why al-Qaida and its affiliates place so much emphasis on attaining safe haven. The 2005 report includes an informative discussion of the physical and cyber spaces the enemy uses to recruit, fundraise, plan, and train. In addition, we have recently issued a supplement to the report specifically on the issue of safe haven and other topics, referred to in Section 7120(b) of the 9/11 Commission Implementation Act of 2004.

Trends in 2005

The 2005 report identifies four trends that I would like to highlight. First, in response to our operational success, enemy operational elements are becoming smaller in size. We see more threats emerging from small cells and even individuals, some with more autonomy. Therefore, they are more difficult to detect and engage. These looser terrorist networks are less capable but also less predictable and in some ways more dangerous. We may face a larger number of smaller attacks, less meticulously planned, and local rather than transnational in scope.

Second, terrorist groups are becoming more sophisticated. They use technology, and particularly the Internet, to improve their global reach, intelligence collection, and operational capacity.

A third trend is the increasing exploitation of the overlap of terrorist and criminal enterprises. In some cases, terrorists use the same networks used by transnational criminal groups, exploiting the overlap between these networks to improve mobility, build support for their terrorist agenda, and avoid detection.

The fourth trend has to do with Iraq. Iraq is a battlefield. U.S. and other Coalition forces, together with their Iraqi counterparts, are engaging international terrorists in Iraq. These Coalition forces are in Iraq at the request of the Iraqi government and consistent with an authorization in UN Security Council Resolution (UNSCR) 1546 (2004) and extended in 2005 by UNSCR 1637. We are determined to deny Iraq, which is now selecting its first full-term democratically-elected government in decades, as a terrorist safe haven for various factions that seek to undermine Iraq's new government.

For some terrorists, Iraqi is not only a battlefield; it is also a cause. Networks that support the flow of foreign terrorists to Iraq have been uncovered in several parts of the world. We must, therefore, help Iraqis secure their country and help other countries shut down these networks. We must build partnerships with capable institutions in the new Iraqi Government and the broader region. Many governments, including Jordan and the UK, have played critical roles in this collective effort.

Country-Specific Efforts

As in past years, the report includes regional overviews and commentary on terrorist situations in individual countries. We note progress and the lack thereof where appropriate. The "Terrorist Safe Havens" and "State Sponsors of Terrorism Overview" also provide additional information in this regard.

Some areas in which we witnessed positive trends in 2005 include Afghanistan, Pakistan, Iraq, Saudi Arabia, Algeria, Colombia, Indonesia, the Philippines, and Canada. Specifically:

- Afghanistan embraced a new democratic government, a remarkable feat even while violence along the Afghanistan-Pakistan border increased.

- Pakistan continued its efforts to wrestle South Waziristan from al-Qaida influence.

- Iraqis bravely participated in democratic elections and recently agreed to form a national unity government, a critical step in ending the violence.

- Saudi Arabia captured or killed the top 26 senior al-Qaida operatives inside the country by the end of 2005. The government also took steps to counter radicalization, and opened its Financial Investigation Unit.

- Algerian forces reduced the Salafist Group for Preaching and Combat's (GSPC) strongholds in Algeria to small isolated pockets.

- Colombia demobilized in 2005 10,418 United Self-Defense Forces of Colombia fighters, made some progress in engaging the National Liberation Army into negotiations, and kept the Revolutionary Armed Forces of Colombia (FARC) on the strategic defensive. Bogota now boasts police forces in all 1,098 municipalities throughout the country, and is trying to work with bordering countries to combat the FARC. Kidnappings in Colombia numbered less than 300 in 2005 -- down from more than 2000 a year at its high point -- and the Colombian government cooperated with our efforts to recover three U.S. citizens kidnapped by the FARC in February 2003. These efforts continue.

- Indonesia intensified its broad counterterrorism campaign after the second Bali bombing in October 2005, and its campaign continues to gain momentum. This

includes successful prosecution of terrorist operatives, an emphasis on moderate religious theology to blunt radicalization, and the death of Bali bomb maker Azahari bin Husin in a November shootout.

- With U.S. Government assistance, the Philippine Government now has increasing control of the island of Basilan and is beginning to create stability on the island of Jolo, both areas of operation for Jemaah Islamiya and the Abu Sayyaf Group.

- U.S.-Canadian counterterrorism cooperation continued to be strong, and rests on our joint efforts to safeguard the northern border. This bilateral cooperation, which also extends internationally, is characterized by a number of established and new fora, including the Security and Prosperity Partnership of North America, the terrorism sub-group of the Cross Border Crime Forum, and the Smart Border Accord. The latter led to an agreement to expand the number of Integrated Border Enforcement Teams covering the border to 15.

In addition, although not removed from the State Sponsors of Terrorism List in 2005, Libya and Sudan took positive steps in the fight against terrorism. Libya continued in 2005 to cooperate with us against terrorists in Africa and the Middle East. Sudan continued its cooperative commitment against known and suspected international terrorist elements believed to be operating in and out of Sudanese territory. However, despite these positive steps, we are deeply concerned about the Sudanese government's role in Darfur. We must continue to work with the Sudanese government and others to resolve this issue before we can move further.

While no countries were added or deleted from the State Sponsors of Terrorism List, we did designate two organizations as Foreign Terrorist Organizations (FTO) in 2005. Specifically, we designated the Moroccan Islamic Combatant Group and the Islamic Jihad Group. In addition, we amended the FTO designation of Lashkar e-Tayyiba to include new aliases. Throughout 2005 al-Qaida and its associated networks continued to represent the most prominent current terrorist threat to the United States and our international partners. There are other terrorist organizations of concern, however, including Hizballah, al-Qaida in Iraq and the GSPC.

The 2005 report also discusses problem areas that unfortunately do remain. Such areas include safe havens in North Waziristan in Pakistan and Hizballah dominated areas of Lebanon. In addition, Iran -- again in 2005 -- remained the most active state sponsor of terrorism. Tehran has repeatedly refused to bring to

justice, publicly identify or share information about detained senior al-Qaida members who murdered Americans and others in the 1998 East Africa Embassy bombings. Iran encouraged anti-Israeli terrorist activity, rhetorically, operationally and financially. Iran provided Lebanese Hizballah and Palestinian terrorist groups with extensive funding, training and weapons. In addition, Iran has provided assistance to anti-Coalition forces in Iraq. As the President said earlier this year, some of the most powerful IEDs we are seeing in Iraq today include components that came from Iran.

Multilateral Efforts

Before addressing our current counterterrorism efforts, I would first like to say a few words about how the State Department in 2005 sought to deal with terrorism through multilateral fora. We worked closely in a variety of areas with our UN Security Council and General Assembly partners, as well as with our G-8 counterparts. Our efforts were realized, for example, in the UN Security Council with the adoption of two resolutions. The first, resolution 1617, strengthened the current sanctions regime against the Taliban and al-Qaida, and endorsed the Financial Action Task Force standards for combating money laundering and terrorist financing. The second, resolution 1624, addressed incitement to terrorism and related matters. In addition, we continued to work through the UN 1267 Sanctions Committee to impose binding financial, travel, and arms/munitions sanctions on entities and individuals associated with al-Qaida, the Taliban, and bin Ladin. We also worked within the UN General Assembly to ensure the Outcome Document, issued at the end of the high-level plenary meeting of the 60th General Assembly, contained a clear and unqualified condemnation of terrorism "in all its forms and manifestations, committed by whomever, wherever, and for whatever purposes," and set objectives for UN actions to counter terrorism.

Within the G-8 we worked with our partners in 2005 to complete virtually all outstanding project tasks included in the 28-point action plan that is part of the Secure and Facilitated International Travel Initiative (SAFTI) issued at the June 2004 Sea Island Summit. This included strengthening international standards for passport issuance; developing new measures to defend against the threat of MANPADS; establishing a Point-of-Contact network to deal with aviation threat emergencies; and expanding training and assistance on transportation security to third-party states.

In addition to multilateral fora, bodies such as the Inter-American Committee against Terrorism (CICTE) and the Organization of Security and

Cooperation in Europe (OSCE) have made important contributions at the regional level. CICTE has delivered more than $5 million in capacity-building in the region, providing training to hundreds of security officials in the region. The OSCE has pushed its 55 members to implement ICAO travel document standards, sponsoring workshops and training for government officials, as well as to modernize shipping container security and prevent and suppress the financing of terrorist organizations.

Our Current CT Initiatives

Our strategy to defeat terrorists, however, does not stop there. Rather, our strategy is structured at multiple levels -- a global campaign to counter violent extremism; a series of regional collaborative efforts to deny terrorists safe haven; and numerous bilateral security and development assistance programs designed to build partner CT capabilities, as well as liberal institutions, support the rule of law, and address political and economic injustice.

This strategy is aimed to enhance our partners' capacity to resist the terrorist threat and address conditions that terrorists exploit. We work with or through partners at every level, whenever possible. To implement this strategy, U.S. Ambassadors, as the President's personal representatives abroad, lead interagency Country Teams that recommend strategies using all instruments of U.S. statecraft to help host nations understand the threat, and strengthen their political will and capacity to counter it.

One example of such an interagency strategy is the Trans-Sahara Counter Terrorism Initiative (TSCTI), a multi-faceted, multi-year strategy aimed at defeating terrorist organizations by strengthening regional counterterrorism capabilities, enhancing and institutionalizing cooperation among that region's security forces, promoting democratic governance, discrediting terrorist ideology, and reinforcing bilateral military ties with the United States.

Another example is the Regional Strategic Initiative (RSI). My office has worked to develop this program which is designed to develop flexible regional networks of interconnected Country Teams. We are working with Ambassadors and interagency representatives in key terrorist theaters of operation to assess the threat and devise collaborative strategies, actionable initiatives and policy recommendations.

The RSI is a key tool in promoting cooperation between our partners in the War on Terror -- between Malaysia, Indonesia and the Philippines, for example, as they deal with terrorist transit across the Celebes (Sulawesi) Sea; or between Mauritania, Algeria, Morocco, Niger, Chad, and Mali to counter a GSPC enemy recruiting and hiding in the desert which sits astride their national borders.

Our terrorist enemies are highly adaptable: defeating them requires both centralized coordination and field authority. Resources and responses must be applied in a rapid, flexible, and focused manner. The RSI helps achieve this.

As of April 2006, three RSI strategy sessions have been held, with more scheduled for coming months. These sessions are chaired by Ambassadors, with Washington interagency representatives in attendance. The sessions focus on developing a common, shared diagnosis of the strategic situation in a region. Using this common perspective, networked Country Teams then identify opportunities for collaboration, and self-synchronize efforts across multiple diverse programs in concert with the National Counterterrorism Center's strategic operational planning effort to achieve the President's national strategic goals.

Conclusion

In conclusion, al-Qaida and its affiliates are attacking what they fear the most, the development of a global civic society -- a society characterized by global networks of liberal institutions, free speech, democratic organizations, free-market forces, and the rule of law. We must measure counterterrorism success in the broadest perspective. Tactical and operational counterterrorism battles will be won and lost, but we wage these battles in a global war within a strategic context. We must fight the enemy with precise, calibrated efforts to buy space and time to transform the environment and the conditions that terrorists exploit.

We must fight the enemy with all tools of statecraft, in cooperation with our growing network of partners, to construct enduring solutions that transcend violence. We will aim to deny the enemy its leadership, its safe havens, and the conditions it exploits. Our citizens and allies expect no less.

Mr. Chairman, we hope this report advances our collective understanding of the challenges and the solutions. This completes the formal part of my remarks and I welcome your questions and comments.